

**Charitable Gambling: Modernization of Gambling  
Distributor Tax Eliminated and Rates Reduced  
All Electronic Games Subject to the Combined Receipts Tax**

	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
			(\$000s)	
General Fund <sup>1</sup>	\$0	\$43,900	\$62,500	\$62,500

<sup>1</sup> According to the Gambling Control Board, the proposed modernization of gambling are expected to increase charitable gambling activity, and the estimates reflect this increased activity.

Authorization for modernization of gambling is assumed effective the day after enactment. The date of enactment is assumed to be prior to May 1, 2012.

All changes in tax structure and rates are assumed to be effective July 1, 2012.

The proposal would allow for electronic charitable gambling in Minnesota: electronic linked bingo games and electronic pull-tabs. The proposal would allow the availability of electronic linked bingo compared to bingo under current law. The proposal would eliminate the distributor tax and lower the tax rates for the combined receipts tax and net receipts tax. Electronic linked bingo would be subject to the combined receipts tax, not the net receipts tax.

There are three taxes on lawful gambling:

Net Receipts Tax on Bingo, Raffles, Paddlewheels	8.5%
Distributor Tax on Pull-tabs and Tipboards	1.7%
Combined Receipts Tax on Pull-tabs and Tipboards (organization basis)	
Not over \$500,000	0%
Over \$500,000, but not over \$700,000	1.7%
Over \$700,000, but not over \$900,000	3.4%
Over \$900,000	5.1%

The proposal would change the tax structure and rates to the following:

Net Receipts Tax on Existing Bingo, Raffles, Paddlewheels	7.325%
Distributor Tax on Pull-tabs and Tipboards	eliminated
Combined Receipts Tax on All Pull-tabs, Tipboards, and Electronic Linked Bingo (organization basis)	
Not over \$500,000	1.465%
Over \$500,000, but not over \$700,000	2.930%
Over \$700,000, but not over \$900,000	4.395%
Over \$900,000	5.860%

The proposal makes several changes to charitable gambling regulations.

The following assumptions were provided by the Gambling Control Board:

- Electronic linked bingo will be available at 1,500 sites in Minnesota. Sites with two hundred seats or less would on average have three machines and sites with more than two hundred seats would have nine machines. On average, each machine will have \$90 of gross receipts and \$13.50 of net receipts per day.
- Electronic pull-tabs will be available at 2,500 sites in Minnesota. Sites with two hundred seats or less would on average have four machines and sites with more than two hundred seats would have twelve machines. On average, each machine will have \$225 of gross receipts and \$33.75 of net receipts per day.
- Approximately 85% of the new electronic gaming would be electronic pull-tabs and 15% would be electronic linked bingo.
- The estimates of daily machine receipts assume that the new forms of electronic gambling would allow for the replay of winning credits.
- The introduction of electronic pull-tabs and electronic linked bingo will reduce the amount of paper pull-tabs sold by 20%.
- The Gambling Control Board estimates that it will take four to six months to write regulations and to have the electronic machines installed at the sites.

The Department of Revenue used the following data and assumptions to complete this estimate:

- Baseline revenues are from the February 2012 forecast.
- Baseline gross receipts and organizational receipts data is from the Department's fiscal year 2011 filing records.
- Department of Revenue data on gross receipts by organization for fiscal year 2011 was scaled to match the projected gross receipts under this proposal and then the tax was calculated.
- Fiscal year 2013 receipts are reduced to reflect nine months of collections.
- Due to the estimated four to six months needed to implement the modernization of gambling, the date of enactment will have a significant impact on collections in fiscal year 2013. For each month of delay after May 1, 2012, the estimate for fiscal year 2013 would be reduced by about \$4.9 million.

Minnesota Department of Revenue  
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